


Exhibit 29

Sponsor speaks of ills of UFC "tax" -
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Sponsor speaks of ills of UFC “tax”

March 22, 2014

Bloody Elbow [reports](#) on MMA apparel maker [Americana](#) MMA and its issues with the UFC sponsor tax. The article points out the hurdles that a small company has with losing athletes once they leave.

Americana MMA sponsored three women fighters while in Invicta FC that will be going to the UFC as part of the newly developed straw weight division. Essentially, Americana MMA founder Peter Giannoulis talked about how the UFC had told him that his company would have to pay \$50,000 plus a year if it wanted to continue to sponsor the fighters it had set up relations with in Invicta FC. Thus, it lost three fighters it had good relationships with and it cannot continue the relationship.

If there was no tax, we assume that Americana MMA would continue sponsoring the fighters which would elevate the status of the fighters along with the brand as they would wear its logo in the Octagon.

Payout Perspective:

The sponsor tax/fee the UFC charges brands to sponsor fighters in the UFC is a definite barrier to entry for small companies with limited budgets. And, while there is an argument for the UFC to have the sponsor fee, there are few indications that the fee is paying off...except for the UFC. There are few blue chip sponsors that have been brought in by the UFC since the implementation of the fee. Certainly, Reebok has paid the fee to sponsor Johny Hendricks but it was made clear that it was with Hendricks and not a UFC sponsor. Others like Nike have dipped its toe into the UFC with Jon Jones, JDS and Anderson Silva. But a blue chip brand has not sponsored fighters on a greater scale. The Americana MMA problem is an issue seen by many small companies in any sport with limited capital. It is highlighted in the UFC because we've seen the company grow with inclusion of a variety of small sponsors helping fighters in the beginning and now its policy has shifted with the popularity which has forced out many companies like Americana MMA.

Written by [Jason Cruz](#) · Filed Under [sponsorships](#), [UFC](#)

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7 Responses to “Sponsor speaks of ills of UFC “tax””

1. BrainSmasher on March 23rd, 2014 7:55 AM

The problem here is exactly why there is a tax. Look at it this way. Americana has 3 girls from the minor leagues. Few of these girls had a lot of fight and we're not getting much in the way of sponsors. Now they are in the UFC and this company was still expecting to get them for peanuts. What \$500-1500? The issue here is Americana isn't willing to add 15,000 per fighter per year for an athlete in the UFC who fights in front of millions. If each girl fought 3 times per year. Then Americana would only have about 6,500 per fight. If they can't pay that then they should not be allowed in the UFC. Americana is taking advantage of the fighters. Odds are these girls are going to get bigger offers since they are in the UFC and Americana would be out anyway. To many companies in the UFC are already paying 5,000+ like Tapout and affliction.

Now I feel for a small company who rides a prospect to the top and took a chance early on. But this is the big leagues and you have to make a bigger commitment and investment into the sport, fighters, and advertising. It's clear to me this company would be out even if there is no tax. They are not willing to pay what it will take to keep these girls. They want the fighters at Invicta prices and get cheap advertisements before the girls secure the deals they deserve.

2. [Jason Cruz](#) on March 23rd, 2014 8:02 AM

This is odd BS. But I agree with you. I do feel bad for Americana MMA but I think you explain your point very well.

3. [Bryan](#) on March 23rd, 2014 12:14 PM

When I see the "Mask" sticker attached to the Octagon cage door, I remember a man that started from nothing and helped grow the sport by supporting fighters when no one else would. I thought the UFC put his name there and added him to the Hall of Fame because of that very thing.

Upstart brands that support fighters early on should be rewarded when the fighters succeed, but I suppose there comes a point when the leap to the big leagues is too far from some to jump. Also, commerce is all about supply and demand. The market will dictate the price. There is no changing that.

4. John S. on March 23rd, 2014 3:47 PM

But they are not getting bigger deals just because they are in the UFC. People assume that but with the exception of your select few fighters the policy limits the options for most fighters. Between the "tax" and paying for exclusivity it's a buyers market for sponsors. Time after time fighters and managers have told me the same thing, they are making less because of the tax. Iain Kidd has heard the same thing as have pretty much all the media members I deal with that follow the sponsorship issue.

5. BrainSmasher on March 24th, 2014 12:06 AM

John

Not everyone is saying the same thing. There are sponsors who have welcomed the tax and have adapted to it and benefit from it. They have done so by sponsoring more fighters while at the same time becoming more exclusive. It's a catch 22. Without the tax sponsors are not going to throw out money like they did when the UFC was getting better numbers 5 years ago. Also there was way too many companies involved which caused the individual companies to not stand out. There was no value. The Tax has limited the massive number of brands so there is now value. In my personal opinion. Due to the lower ratings and the number of brands. The pay fighters would have seen would have plummeted by now. The Tax has kept that from happening.

The catch 22 of it is there are fighters I am sure who are hurt. But that is the case with any decision you make. Without a Tax it hurts the top guys who have now got major sponsors that bring money and prestige. I think it is unfair to remove the tax and allow the bottom fighters to lower the market on sponsorships. If they start taking cheap \$500 offers it hurts everyone in the UFC.

I think people do not realize how the sport has changed. From 5 years ago. There is so many more fights and more events. Which means there are more fighters who all have/need sponsors. The brand who sponsor fighters were going to have to massively raise their budgets (as the tax has forced them to do) or there would be 10 times more brands out there than there was 5 years ago. It isn't good for the sport to have 500 unrecognizable brands. It also doesn't help the brands get exposure so there is no change the advertising money gets any better. The tax has encouraged brands to invest more and exclusivity was their incentive.

I agree it is a buyers market. But if sponsorships have no value. Then sponsors will stop paying out money. The tax limits the brands so those few brands have a chance at a return and can therefore invest more. Letting anyone Joe Schmoe who puts a catch phrase on a T-shirt in the cage kills legit companies trying to grow into a big business.

6. Diego on March 24th, 2014 11:15 AM

My problem with the tax is the same – it leaves less money for the fighters. If a company has to pay the UFC, that's less money they can pay fighters. If a company can pay the UFC to get the inside track on sponsorships, that means fewer sponsors to compete with and hence less money they have to pay, since there are fewer opportunities for fighters.

I don't see the mechanism whereby a tax that limits the number of sponsors and reduces their available sponsorship money makes sense for fighters.

The three women in question, if there were no tax, would be able to either keep their current sponsors, ask them for more money (on the basis that they will have more eyes on) or look for bigger sponsors. As it is, they lose a source of revenue and enter a more restricted market.

If a big company doesn't want to share views with smaller companies, they should pay for exclusives with top fighters and be the only

logo. The tax may have increased the value of a sponsorship (which is debatable), but it decreases a fighter's revenue. It's a money grab by the UFC. Zuffa keeps the lion's share of the value.

I don't think the argument that sponsorships would be even lower without the tax holds water. You can just as easily argue that the tax has been around for a while, and the value of sponsorships does not seem to be increasing, so it can reasonably be argued that the tax has not succeeded in increasing the value of sponsorships. It certainly hasn't increased fighters' earnings.

7. BrainSmasher on March 25th, 2014 12:05 PM

Diego

There is no proof the tax has hurt fighters either. The only real numbers we have are from Cole Miller who compared his run as a contender to his decline. Even while on a decline with down ratings. His sponsor money only dropped like 20% (\$1500) from when he was a contender during the boom. IS that a Tax issue or a performance issue?

You said the companies can pay fighters for exclusivity. Why would they put that much money into a fighter to do that when companies can get on a fighter for peanuts without a tax? No one wants to pay out big money and share the cage with Mom and Pop sponsors who got in for \$500 and is getting a better deal. The Tax works as a floor. You have to have a budget of X amount to sponsor fighters. IF that amount is to much then your company isn't big enough to be buying time in a global sports league. The biggest issue with fighter sponsorship money is the increased number of fighters. Every fighter needs sponsors. Now there is over 500 fighters rather than 200-300. Now with the tax you have more fighters for the sponsors who paid the tax to cover which brings the dollar amount down per fighter. Without the tax you can add many more smaller sponsors to cover the new fighters but it causes the sponsors to get lost in the shuffle and get no return. Therefore they will put less into sponsoring each fighter and that number will never grow.

Currently there is value for anyone who pays the tax. The more ratings increase or the bigger the stars or the bigger the event. The more value there is for the sponsor. When that happens sponsors will start fighting for that privilege which will increase the money for each fighter. That doesn't happen with a free for all.

The real issue here isn't the tax. It isn't doing any harm and it is doing some good short term and it should do better long term. The real issue here is are there other ways to go about it. I do believe there is better ways to go about this to help sponsorships. But I don't think sponsors is the UFC's only goal here. People need to see the whole picture here. THE UFC wants to do two things. A. Increase the prestige of a fighters sponsorships. B. Prevent big companies from going around the UFC and using the fighters to get in the cage and on a UFC broadcast for a fraction of the price. The UFC live events on TV are driven by Sponsors. It is an important part of the UFC business plan to increase that revenue stream. BUt without restrictions. It is hard for the UFC to get big companies to pay \$100,000 to advertise with the UFC when they can get a fighter in the main event for \$5,000. So the UFC found a way to say to these people. If you are going to go around us then you are going to pay and you are going to have to sponsor many more fighters to get your monies worth. When you look at it from this perspective. The tax does exactly what it was designed to do. Encourage companies to sponsor the UFC and its events. And get bigger budgets sponsoring fighters and get those brands sponsoring more fighters than just 1 or 2.

Now the UFC could just set a minimum amount that fighters can accept as sponsorships or a minimum a brand has to spend on the fighters. But this still has its problems. It doesn't help the UFC advertising revenue and it would still cause fighters to lose out on sponsors who couldn't afford the fighter or brand minimums. The problem is there are always fighters willing to sell their soul for a dime and it kills the market for all the other fighters.

IN other sports like baseball. There are players who want to give their hometown team a discount. Like Joe Mauer some years back. He wanted to sign with the Twins at a discounted price. The Players Union wouldn't let him do that because it kills the market for other players. The next catcher whose contract is up sets his demands based on that contract. Taking less would cause every catcher after him to get less and less money. The UFC Tax prevents fighters from screwing others for a fast buck.

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